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HARVARD

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RUSSIAN RESEARCH CENTER

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PRODUCTION FIGURES FOR THE FIRST FIVE MONTHS OF 1985

Product	May 1985	Jan-May 1985	% Jan.-May 84 over Jan-May 85
Electricity (bil.kw.hrs)	117	662	103
Petroleum (inc. gas condensate) (mil.tons)	50.7	247	96
Natural Gas (bil.cu.mtrs)	53.6	266	110
Coal(mil.tons)	58.1	303	100.1
Steel (mil.tons)	13.3	62.7	96
Fertilizer (mil.tons)	2.9	13.4	103
Metal-cutting tools (mil. rubles)	216	1056	107
Robots (1000s)	1.2	5.5	99.1
Computer Technology (bil. rubles)	0.3	1.6	112
Tractors (mils.)	4.3	22.0	105
Paper (mil. tons)	0.5	2.4	99.5
Cement (mil. tons)	11.4	52.3	97
Meat(mil. tons)	0.7	3.9	105
Margerine (1000 tons)	119	632	96
Watches(mils.)	5.6	27.8	99
Radios(mils.)	0.7	3.5	91
Television sets (mils.)	0.8	3.8	103
Automobiles (1000s)	108	552	100

INDUSTRIAL RESULTS FOR THE FIRST FIVE MONTHS OF 1985

The results so far are not dramatic, but the economy does seem to be responding to Gorbachev's discipline campaign. Production in most industries does show an increase higher than what had been attained earlier this year. For example, natural gas production is up 11%, while it is only up 10% for the whole five month period. Similarly, electricity generation is increased by 3.5%. Even more impressive, steel production rose 1.5% for the month of May, compared to the year earlier, whereas overall production for the whole 5 months is down 4%. In the same way, coal production is up 2% for May 1985/May 1984.

Gorbachev's main problem however continues to be petroleum production. Production for the month of May was down 4% as it was for the whole 5 month period. There does seem to be some slight improvement, but so far nothing dramatic.

Overall, it is fair to say that production does seem to be improving and it is safe to argue that much of this is due to the emphasis on discipline and the crackdown on drunkeness.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

The Soviet balance of trade with Eastern Europe for 1984 does not differ markedly from the conditions that existed in 1983. The one notable exception is that the Soviet trade surplus with Poland grew to almost 800 million rubles compared to almost 500 million rubles in 1983. That is clearly not something the Soviets would like, and it suggests that they've been giving more, if inadvertent, help to Poland than had been the case in 1983. Whereas last year Romania was the only country that had a modest trade surplus in its dealings with the Soviet Union, this year it is only Hungary.

Overall the trade surplus increased slightly, but is still less than it was during the very big deficit years in trading with Poland of 1981. p. 3

U.S. TRADE WITH EASTERN EUROPE

In our trade with Eastern Europe our exports dropped while our imports increased, thereby increasing the size of the trade deficit. For Eastern Europe as a whole, we now have a trade deficit of a quarter of a billion dollars. As with the Soviet Union, our main exports to Eastern Europe consist of agricultural products, and our main imports are of petroleum. pp.6-7

CORPORATE SPONSOR SEMINARS ANNOUNCED FOR FALL 1985

The Russian Research Center will resume its seminars on the Soviet Union and Eastern Europe beginning September 23, 1985. The first seminar will be our Fourth Orientation for Journalists. It will combine a discussion of internal and external political developments, as well as a look at economic and sociological trends. The seminar is intended primarily for journalists, and the first draft of the program will be included in the August Newsletter. You might want to mark your calenders now, however.

The second Corporate Sponsor seminar will be held on Monday, October 21st. It will focus on agriculture and agrobusiness in the Soviet Union.

LIVESTOCK HERDS CONTINUE TO SHRINK

As a look at the enclosed table suggests, except for chickens, the census of all other major animal categories in the Soviet Union deteriorated as of June 1, 1985 compared to May 1, 1985. Again, with the exception of chickens, the drop in the size of the herd was either greater than it had been in May of this year, or the increase in the size of the herd was smaller. Most important, the number of cows, hogs and sheep & goats is lower overall than it was in June 1984. As we mentioned in last month's Newsletter this is a rather atypical pattern compared to the growth of livestock herds that has occured the last few years.

We enclose a letter to the editor which is a more definitive explanation of what has happened. p. 3

CURRENCY FIGURES

Rubles Purchased Per 100	June 1984	May 1985	June 1985
Austrian shilling	4.17	3.98	3.96
U.K. pound	110.86	107.94	108.73
W. German mark	29.32	27.97	27.81
U.S. dollar	80.10	85.65	86.10
French franc	9.54	9.18	9.13
Japanese yen	.346	.343	.345
Italian lira	.0474	.0438	.0438
Swiss franc	35.48	33.20	33.03

According to the report released by Gosbank for June 1985, all currencies decreased, relative to the ruble, over the last year with the exception of the U.S. dollar. Over the last month, the U.K. pound, U.S. dollar, and Japanese yen all increased. All other currencies decreased except for the Italian lira, which stayed the same.

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THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, **Marshall I. Goldman and Jean Monahan.** **RRC @ 1985**

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SOVIET BALANCE OF TRADE WITH EASTERN EUROPE
(in million rubles)

	Exports from U.S.S.R.					Imports to U.S.S.R.				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Bulgaria	3660	4375	4885	5511	6124	3439	3697	4288	5053	5608
Czecho-slovakia	3648	4382	5048	5872	6591	3536	4105	4732	5420	6017
GDR	4873	5526	6420	6798	7481	4327	5155	5776	6596	7367
Hungary	2982	3307	3707	4058	4321	2757	3300	3746	4007	4434
Poland	4406	4931	4813	5274	6069	3596	3221	4097	4787	5297
Romania	1350	1779	1424	1640	1807	1441	1673	1683	1665	1755
	20,919		26,297		32393	19096		24,322		30,478
		24,300		29,153			21,151		27,528	
Balance of Trade						+1823	+3149	+1975	+1625	+1915

LIVESTOCK HERDS

(Millions)

	6/1/84	6/1/85	6/1/85 as a % of 6/1/84	5/1/85 as a % of 5/1/84
Cattle	98.7	98.9	100.2%	100.4%
Cows	29.9	29.7	99.3	- 99.3
Hogs	60.1	57.8	96.2	97.
Sheep & Goats	148.6	143.5	96.6	96.8
Chickens	794	796	100.3	100.1

United States Department of Agriculture
Economic Research Service
Washington, D.C. 20250

June 21, 1985

The Editors
RRC Newsletter
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Dear Editors,

Not too long ago, I read a piece in your newsletter on the Soviet livestock situation ("Soviet Livestock Herds Drop", Volume IX, No. 10). It seems that lately there has been a large amount of speculation on this topic. Since your newsletter represents the most prestigious group of Russian scholars in the United States, I feel compelled to offer clarification of your analysis.

First of all, the ability of the Soviets to maintain livestock numbers over the last six years is not such a mystery if we look at what has happened to both the quantity and quality of non-grain feeds (which make up nearly two-thirds of Soviet feed supplies on an energy basis). In the last two years, Soviet feed supplies have been at record levels, though there was a small decline in 1984/85 in comparison with 1983/84. As the 1984 harvest got underway, animal performance in terms of slaughter weight and milk yields had fully recovered from the declines reported in the early 1980's. In this sense, we cannot speak of "six consecutive poor harvests" having a cumulative impact on livestock performance.

More importantly, to understand what is going on currently in the Soviet livestock sector we need to go beyond a look at inventories. The emphasis on economic "intensification" has not by-passed agriculture. In the livestock sector this has meant getting more products per animal rather than relying on expanded holdings of low productivity animals. In certain cases, we have seen that the emphasis on maintaining inventories has been giving way to higher priority on livestock output (see Sel'skaya zhizn', 11/20/84 or Sovetskaya rossiya, 11/14/84). Despite the small growth in cattle and poultry numbers, beef production is up 7 percent and poultry meat production 8 percent over last year, which would indicate some success in this direction.

This is not to say that feed supplies are not tight. We estimate that they are down roughly 2 percent from the 1983/84 year. What really caught the Soviets by surprise, though, was the unusually severe winter and delayed spring, which put an unanticipated strain on over-wintering feed supplies. By emphasizing cattle (other than cows) and poultry at the expense of hogs and cows, the Soviets have successfully maintained stable growth in meat production while adjusting inventories in response to poor winter and spring conditions (it should be emphasized that the larger than usual hog slaughterings account for a very small share of increased meat production in 1985).

What is striking to me about the 1984/85 trade year is not that the Soviets didn't import enough grain, but that in comparison with past years (and 1981/82 in particular) they were not satisfied with simply maintaining meat production following a poor harvest. Rather, they imported enough to maintain growth in meat production. This step-up in willingness to import feed is a result of the emphasis on improved meat supplies in the Food Program and possibly a personal commitment on the part of Gorbachev.

Sincerely,

E. Cook

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/03/85
:50:35

Leading items in U.S. imports for consumption from EASTERN EUROPE in January-March 1985, 1982, 1983, 1984, January-March 1984, and January-March 1985

(C.i.f. value, in thousands of dollars)

SUSA umber	Description	1982	1983	1984	January-March-- 1984	January-March-- 1985
53500	Naphthas derived petroleum,-----	21,333	25,038	238,259	55,945	81,996
76625	Plates ios not cut etc a not----	0	0	81,773	1,207	61,231
73525	Pork hams & shouldrs, boned,----	94,408	130,753	122,609	26,651	40,172
56530	Liquid derivatives of----------	0	0	105,253	24,781	14,649
23290	Parts nspf of motor vehicles----	0	0	0	0	11,079
76610	Steel plate not alloy in--------	0	0	4,595	594	8,488
52528	Unleaded gasoline---------------	0	0	0	0	7,321
69030	Other lamps including----------	13,463	12,490	16,077	4,578	7,291
03000	Urea, nspf---------------------	2,332	13,317	54,971	10,439	6,374
78360	Steel sheet pickled and/or------	0	654	35,496	1,209	5,900
04740	Pollock, skinned and boned,-----	7,664	432	0	0	5,544
76730	St sheet n shpd, etc n cr n-----	0	0	3,287	565	5,134
71700	Steel wire rods no alloy not----	2,551	10,382	29,083	2,107	5,025
06510	Ammonium nitrate---------------	0	1,039	11,145	1,567	4,695
02800	Cigarette leaf, not stemmed,----	18,765	27,523	19,742	5,855	4,359
59500	Other woven fabric of veg-------	13,469	6,462	14,162	3,708	3,463
22520	Hops, nspf---------------------	8,630	5,910	7,929	6,963	3,237
51500	Apple or pear juice not mixd----	560	2,612	3,185	1,842	3,112
82563	Aluminum sheets and strip, n---	0	0	31,738	5,303	3,080
25109	Pneumatic tires, new, for-------	3,966	8,884	8,155	2,365	2,977
21000	Cardiovascular drugs, except----	0	0	2,133	0	2,931
23460	Parts of agricultural----------	9,131	3,251	12,719	3,644	2,793
71500	Furniture and parts of---------	8,580	8,023	10,640	2,370	2,701
02940	Footwear for work, leather,-----	4,132	5,737	6,433	1,392	2,404
82345	Printing presses, nspf---------	2,840	2,428	4,189	472	2,332
62622	Nails etc iron/steel, smooth----	2,367	6,157	9,440	2,762	2,225
72900	Chairs, wood, nspf-------------	5,941	6,548	6,224	1,189	2,219
01515	Wool floor covergs pile hand----	3,703	3,989	5,573	1,111	2,067
20440	Motor buses, except gasoline----	5,005	3,622	3,028	856	2,028
03550	Footwear, leather, nspf for-----	11,578	10,812	8,554	928	2,027
	Total---------------------	240,416	296,063	856,393	170,401	308,874
	Total, all items imported from EASTERN EUROPE-------	898,076	1,098,880	1,748,980	377,972	449,704

Source: Compiled from official statistics of the U.S. Department of Commerce.

/03/85
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Leading items in U.S. domestic exports to EASTERN EUROPE in January-March 1985, 1982, 1983, 1984, January-March 1984, and January-March 1985

(F.a.s. value, in thousands of dollars)

hed B lumber	Description	1982	1983	1984	January-March-- 1984	1985
45260	Soybean oil cake and oil-cake---	83,778	121,520	76,462	33,606	35,176
01400	Cattle hides, whole----------	61,456	65,428	88,707	18,910	25,485
03465	Yellow corn, not donated for r--	296,923	118,231	107,629	35,389	21,263
54100	Soybeans, except seed for plan--	84,751	125,056	143,543	60,291	20,262
13110	Low volatile bituminous coal a--	11,180	16,145	32,211	2,111	10,525
03440	Corn seed, except sweet corn s--	1,707	1,318	900	893	10,168
83900	Commodities nspf, donated for---	20,489	40,648	32,769	10,674	8,948
09500	Other fertilizers, including c--	0	32	43,045	9,493	7,920
83100	Food products, nspf, donated f--	14,437	4,876	12,980	1,328	5,244
07050	Concentrated superphosphate, 4--	27,137	28,961	20,695	0	3,785
23840	Parts, nspf, of tractors, exce--	6,923	3,879	9,866	2,309	2,159
40588	Parts, nspf, of excavating mac--	621	3,646	6,569	895	2,028
14030	Wheat flour, except durum and---	7,780	7,382	8,601	707	1,723
06500	Cigarettes----------	3,277	6,204	5,626	1,091	1,696
61900	Herbicides, unmixed, incl plan--	54	142	1	0	1,645
03040	Parts, nspf, of steam turbines--	0	6	7,815	0	1,602
83400	Apparel privately donated (rel--	3,911	5,490	6,227	670	1,575
03340	Tobacco, burley leaf cigarette--	1,835	5,321	2,003	1,267	1,500
53300	Corticosteroids, nspf, bulk-----	810	685	2,071	990	1,469
65560	Parts, nspf, of automatic data--	5,706	4,992	5,420	1,545	1,341
31035	Compound catalysts, nspf--------	4,840	2,370	8,994	0	1,255
65260	Soybean oil, fully refined, do--	8,756	7,672	7,617	0	1,202
04200	Glass rods, tubes, & tubing, n--	2,722	3,246	4,104	1,064	1,155
62900	Insecticides, unmixed, nspf-----	3,219	1,741	1,912	680	978
03320	Tobacco, filler, cigarette lea--	5,588	7,138	1,392	0	972
94595	Interchangeable tools for hand--	8	168	0	0	910
84000	Used wearing apparel and other--	6,116	3,549	3,357	1,086	897
55020	Nonfat dry milk containing not--	3,238	10,123	5,201	108	795
08160	Manufactured tobacco, nspf, in--	0	0	0	0	785
03021	Cotton linters, other, except---	393	526	857	39	782
	Total----------	667,654	596,493	646,574	185,146	175,246
	Total, all items exported to EASTERN EUROPE---------	996,387	876,695	884,198	248,971	210,375

Source: Compiled from official statistics of the U.S. Department of Commerce.